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TARC, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

TARC, INC.

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JUNE 30, 2010

BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.
NICHOLAS F. CHETTA, C.P.A.
NICHOLAS W. LAFRANZ III, C.P.A.
JAMES L. WHITE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TARC, Inc.
Hammond, Louisiana

We have audited the accompanying statement of financial position of TARC, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TARC, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, on our consideration of TARC, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Bernard & Franks

Metairie, Louisiana
November 10, 2010

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS
4141 VETERANS BLVD., SUITE 313, METAIRIE, LA 70002 | PHONE: (504) 885-0170 FAX: (504) 456-9531

TARC, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

		2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	103,746
Accounts receivable		104,269
Unconditional promises to give		23,500
Prepaid expenses		2,801
Total current assets	$	234,316
LONG-TERM ASSETS		
Beneficial interest in trust	$	23,826
LAND, PROPERTY AND EQUIPMENT	$	623,806
Less accumulated depreciation		(266,352)
	$	357,454
OTHER ASSETS		
Lease value of land and building	$	350,000
Total assets	$	965,596

	2010
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 48,458
Other payables	7,114
Accrued salaries and payroll taxes	70,944
Current maturities of note payable	5,143
Total current liabilities	$ 131,659
LONG TERM LIABILITIES	
Note payable	$ 166,044
Total liabilities	$ 297,703
NET ASSETS	
Unrestricted	$ 270,567
Temporarily restricted	397,326
Total net assets	$ 667,893
Total liabilities and net assets	$ 965,596

TARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Revenues and gains			
Contributions	$ 52,693	$ -	$ 52,693
United Way	4,909	23,500	28,409
In kind lease	51,200	-	51,200
State contracts	2,132,449	-	2,132,449
Fund raising	112,264	-	112,264
Memberships	420	-	420
Interest	474	97	571
Other income	1,778	-	1,778
Net assets released from restrictions			
Expiration of time restriction-United Way Services	21,000	(21,000)	-
Total revenues, gains, and other support	$ 2,377,187	$ 2,597	$ 2,379,784
EXPENSES			
Program Services			
Community support services	$ 1,734,739	$ -	$ -
Durable medical equipment	233,210	-	-
Early learning center	257,653	-	-
Early intervention	93,148	-	-
Support Services			
Management and general	47,624	-	-
Fund-raising	43,214	-	-
Total expenses	$ 2,409,588	$ -	$ 2,409,588
Change in net assets	$ (32,401)	$ 2,597	$ (29,804)
Net assets at beginning of year	302,968	394,729	697,697
Net assets at end of year	$ 270,567	$ 397,326	$ 667,893

See Notes to Financial Statements.

TARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services				Supporting Services		
	Community Support Services	Durable Medical Equipment	Early Learning Center	Early Intervention	Management and General	Fund-raising	Total
Salaries and related expenses:							
Salaries	$ 1,369,631	$ 23,054	$ 145,133	$ 70,050	$ 8,841	$ 16,191	$ 1,632,900
Employee benefits & taxes	119,047	3,261	13,065	10,316	928	3,274	149,891
Workers' compensation	42,939	133	1,304	602	48	134	45,160
	$ 1,531,617	$ 26,448	$ 159,502	$ 80,968	$ 9,817	$ 19,599	$ 1,827,951
Advertisment	$ 2,014	$ 1,532	$ 307	$ 152	$ 94	$ -	$ 4,099
Bank charges	-	-	-	-	1,451	-	1,451
Client supplies	2,898	-	-	-	-	-	2,898
Computer supplies	1,693	242	376	-	88	-	2,399
Contract therapists	18,900	-	-	-	-	-	18,900
Depreciation	29,696	3,523	11,705	-	1,281	-	46,205
Dues and subscriptions	2,961	800	-	340	149	554	4,804
Equipment	629	-	415	-	-	-	1,044
Fees and licenses	400	-	308	-	3,618	-	4,326
Food	-	-	11,243	-	-	-	11,243
Fund raising	-	-	637	-	-	21,236	21,873
Hiring	2,384	20	629	26	7	48	3,114
Housekeeping	5,058	150	1,782	-	55	-	7,045
Insurance							
Liability	18,857	2,694	2,517	4,087	980	-	29,135
Directors and officers	-	-	-	-	1,581	-	1,581
Interest	1,081	154	112	-	11,351	-	12,698
Miscellaneous	9,311	827	1,096	120	10,809	975	23,138
Motor vehicle expenses	-	-	-	-	-	64	64
Office supplies	16,785	1,923	1,824	209	595	325	21,661
Postage	2,082	287	209	-	105	-	2,683
Professional services	10,280	1,469	1,068	1,216	540	-	14,573
Rent	-	-	51,200	-	-	-	51,200
Repairs and maintenance	13,551	1,936	6,770	110	704	-	23,071
Shipping	-	16,575	-	-	-	-	16,575
Program supplies	-	170,656	709	-	-	-	171,365
Telephone and internet services	5,013	1,032	963	60	256	171	7,495
Travel and transportation	41,248	553	432	5,432	604	213	48,482
Seminars and training	2,354	114	2,194	428	2,712	29	7,831
Utilities	15,927	2,275	1,655	-	827	-	20,684
	$ 203,122	$ 206,762	$ 98,151	$ 12,180	$ 37,807	$ 23,615	$ 581,637
Total expenses, net of cost of sales	$ 1,734,739	$ 233,210	$ 257,653	$ 93,148	$ 47,624	$ 43,214	$ 2,409,588

TARC, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	$ (29,804)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	46,205
(Increase) decrease in operating assets	
Accounts receivable	60,939
Promises to give	(2,500)
Prepaid expenses	(434)
Beneficial interest in trust	(97)
Increase (decrease) in operating liabilities:	
Accounts payable	(17,627)
Other payables	7,114
Accrued salaries and payroll taxes	3,504
Net cash provided by operating activities	$ 67,300
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(10,475)
Net cash used in investment activities	$ (10,475)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on line of credit	$ (25,000)
Principal payments on notes payable	(26,419)
Net cash used in financing activities	$ (51,419)
Net (increase) decrease in cash and cash equivalents	$ 5,406
Beginning cash and cash equivalents	98,340
Ending cash and cash equivalents	$ 103,746
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for Interest	$ 12,317

See Notes to Financial Statements.

TARC, INC.

STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Unrestricted	Temporarily Restricted	Total
Net assets reported at June 30, 2009	$ 311,416	$ -	$ 311,416
Adjustments to unrestricted net assets:			
Restatement of accounts receivable collected in previous years	(32,379)	-	(32,379)
To record fund raising revenue in correct year	20,227	-	20,227
To decrease accumulated depreciation to the correct amount	3,704	-	3,704
Adjustments to temporarily restricted net assets:			
To record promise to give-United Way revenue in correct year	-	21,000	21,000
Beneficial interest in trust not recorded in previous years	-	23,729	23,729
Lease value of land and building not recorded in previous years	-	350,000	350,000
Net assets, July 1, 2010, as adjusted	302,968	394,729	697,697
Change in net assets	(32,401)	2,597	(29,804)
Net assets, June 30, 2010	$ 270,567	$ 397,326	$ 667,893

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

TARC, Inc. is a nonprofit corporation which provides opportunities for children and adults with disabilities to realize their full potential, and to become self-directed and contributing citizens. The services the Organization provides to achieve this goal are as follows:

Children's Choice
The purpose of this service is to provide supplemental support services to children with disabilities, from birth to 18 years of age, who currently live at home with their families or will leave an institutional setting to return home. Services provided include: family support, crisis support, family training, diaper acquisition, environmental modification and vehicle adaptation.

Durable Medical Equipment
The Organization provides medically necessary equipment and supplies of a covered illness or injury to individuals in need. The equipment is obtained to assist in the improvement of the function of the malformed, diseased, or injured body part or to delay further deterioration of a patient's physical condition. All equipment is used to serve a medical purpose for the appropriate level of performance and quality for the medical condition present.

Early Learning Center
The KIDS 'R' US Early Learning Center provides access to a full range of educational services in inclusive environment for children of all abilities. Located in downtown Hammond, the program offers structured curriculums with early childhood professionals on staff. Full or part-time schedules are available with low child to staff ratios and a computer center is available.

Early Intervention
Early intervention applies to children from birth to three years old who are eligible to be at risk or special need that may affect their development. Early intervention consists in the provision of services for such children and their families for the purpose of lessening the effects of the condition. Early intervention can be remedial or preventive in nature—remediationexisting developmental problems or preventing their occurrence.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Financial statement presentation follows recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements of TARC, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Accounts Receivable

Accounts receivables are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on it's assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. In management's opinion no allowance for doubtful accounts is necessary at June 30, 2010.

Cash and Cash Equivalents

For purposes of the statement of cash flows, TARC, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations

The Organization's primary source of revenue is Medicaid (Title XIX) revenue. For the fiscal year ended June 30, 2010, $2,132,499, or 90% of the Organization's total gross revenue was from Title XIX. Additionally, $132,302 or 5% of the Organization's total gross revenue was from contributions and $112,264 5% of the total gross revenue was from fund raising. The remaining $7,249 or .1% of the total gross revenue was from membership dues, interest and investment income and other miscellaneous income.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Contributions of donated non-cash assets are recorded at their fair market value in the period received. Contribution of donated services that create or enhance non-financial assets or that requires specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is a nonprofit organization and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments/Fair Value Measurements

The Organization adopted the provisions of the fair value measurements standard. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization.

Unobservable inputs reflect the Organization's assumption about inputs market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1-Valuation based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2-Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3-Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the standard. The three valuation techniques are as follows:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give

Unconditional promises to give, if applicable, less an allowance for uncollectible amounts is recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful life of the assets. State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Contributions and Grants

The Organization follows the recommendations included in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All contributions and grants are generally available for unrestricted use unless the assets are received with specific donor restrictions. The grants and contributions that are donor stipulated for a particular program are reported as temporarily restricted. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. The grants are approved on a year to year basis each fiscal year.

NOTE 2. CASH AND CASH EQUIVALENTS

TARC, Inc. maintains several bank accounts at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to $250,000 for interest bearing accounts until December 31, 2013, and then the insured amount will be $100,000. Cash at these institutions did not exceed FDIC limits at June 30, 2010.

NOTE 3. UNCONDITIONAL PROMISE TO GIVE

At June 30, 2010 unconditional promises to give consisted of:

United Way	$ 23,500

The unconditional promise to give is receivable in the next fiscal year. All amounts are deemed collectible by management. The amount due from United Way consists of the following:

Allocation for next fiscal year, general allocation	$ 21,000
Grant	2,500
	23,500
Less: Allowance for uncollectible	-
	$ 23,500

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2010 consisted of the following:

Land	$ 47,065
Buildings & improvements	395,590
Furniture & fixtures	148,534
Vehicles	32,617
	623,806
Less: Accumulated depreciation	(266,352)
	$ 357,454

Depreciation expense totaled $46,205 for the year ended June 30, 2010.

NOTE 5. CHARITABLE TRUST SPLIT INTEREST AGREEMENT AND FAIR VALUE MEASUREMENTS

In 1991, a donor established a trust with an investment broker, naming the Organization as having a ten percent (10%) interest in the amounts invested. Under the terms of the split-interest agreement the Organization receives 10% of the annual investment income. The trust will mature on October 23, 2016 and the Organization will receive 10% of the proceeds from the liquidated investments of the trust on or around that date.

NOTE 5. CHARITABLE TRUST SPLIT INTEREST AGREEMENT AND FAIR VALUE MEASUREMENTS (continued)

The fair value of the trust investments (10% interest of the Organization) is recorded as an assets and is also included as an increase to temporarily restricted net assets. At June 30, 2010 the fair value of the beneficial interest in the trust was $23,826. Annual changes in the fair value of the Organization's portion of the investments are recorded as increases or decreases in the beneficial interest in the trust and temporarily restricted net assets. The change in value of the split interest agreement for the year ended June 30, 2010 was a $97 gain included as temporarily restricted net assets.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

LEVEL 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

LEVEL 2

Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

LEVEL 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 5. CHARITABLE TRUST SPLIT INTEREST AGREEMENT AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets (Beneficial interest in trust) at fair value for the year ended June 30 2010:

	Level 1	Level 2	Level 3	Total
Beginning balance, July 1, 2009	$ -	$ 23,729	$ -	$ 23,729
Change in value of split interest agreement	-	97	-	97
Ending balance, June 30, 2010	$ -	$ 23,826	$ -	$ 23,826

NOTE 6. DONATED FACILITIES

TARC, Inc. entered into a lease agreement with the State of Louisiana on October 19, 2003 for 25 years, in which the Organization had free use of a 6,400 square foot building. The consideration was the mutual benefit, advantages, and convenience to be derived by the public in the operation of TARC, Inc. The contribution is recorded as temporarily restricted (due to time restrictions) and was measured at the present value of $350,000, which is less than the fair market value. When the time restrictions are met, the amount will be reclassified on the statement of activities as net assets released from restrictions. The fair value rental expense is $52,000 annually.

NOTE 7. LONG- TERM DEBT

The following is a summary of long-term liability as of June 30, 2010:

Description	June 30, 2010	Interest Rate	Current Portion	Long Term
Statewide Bank	$ 171,187	7%	$ 5,143	$ 166,044

TARC, Inc. has a promissory note payable to Statewide Bank, at an annual interest rate of 7.00% with 35 regular payments of $1,427 and one final payment estimated at $166,044 due on August 15, 2011. This note is collateralized by land and building held by the Organization. At June 30, 2010 the balance of this loan was $171,187.

NOTE 7. LONG-TERM DEBT (continued)

The following principal amounts on the mortgage loan are due over the next five years and thereafter:

Year ended June 30, 2010	Statewide
2011	$ 5,143
2012	166,044
2013	-
2014	-
2015	-
Thereafter	-
	$ 171,187

Interest expense for the year ended June 30, 2010 was $13,506.

NOTE 8. LINE OF CREDIT

The Organization has a $50,000 line of credit bearing interest at a rate of 2.00% over prime (5.00% at June 30, 2010), and is secured by a collateral real estate mortgage. As of June 30, 2010, $50,000 is available. There was no interest expense for the year ended June 30, 2010.

NOTE 9. ACCRUED VACATION AND LEAVE

Employees of TARC, Inc. accrue annual vacation and leave at various rates and number of days. There is a six month probationary period for all new employees prior to accruing any vacation or leave. Any days remaining carried over to the next fiscal year must be used by August 31st of that year or they will be forfeited. Accrued vacation and leave for the year ended June 30, 2010 was $3,139.

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2010 TARC, Inc. had $397,326 in temporarily restricted net assets. Temporarily restricted net assets are available for the following purposes or periods:

	2010
Lease value of land and building	$ 350,000
Beneficial interest in trust	23,826
United Way- promise to give	23,500
	$ 397,326

NOTE 11. SALARY REDUCTION PROGRAM

The Organization offers its employees a voluntary 403(b)(7) salary reduction program. TARC, Inc. does not contribute to this program.

NOTE 12. PRIOR-PERIOD ADJUSTMENTS

Certain errors resulting in an understatement of previously reported net assets were discovered during the current year. Accordingly, several adjustments totaling $386,280 were made for the year ended June 30, 2010 to correct net assets as of the beginning of the year. The effect of the restatement on net earnings of June 30, 2009 is not determinable.

NOTE 13. COMPENSATION

The Board of Directors serves TARC, Inc. without compensation.

NOTE 14. ACCOUNTING FOR UNCERTAIN TAX POSITIONS

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes." FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." FIN 48 requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. On December 30, 2008, the FASB issued FASB Staff Position FIN 48-3 which deferred the effective implementation date of FIN 48 to the Organization's annual financial statements ending on June 30, 2010 and the Organization has elected to defer application of FIN 48. The Organization does not expect that the adoption of FIN 48 will have a material effect on its financial position, results of operations or cash flows.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 10, 2010, which is the date the financial statements were available to be issued.

BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.
NICHOLAS F. CHETTA, C.P.A.
NICHOLAS W. LAFRANZ III, C.P.A.
JAMES L. WHITE, C.P.A.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
TARC, Inc.
Hammond, Louisiana

We have audited the financial statements of TARC, Inc. (a nonprofit organization) for the year ended June 30, 2010, and have issued our report thereon dated November 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Options, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Options, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

MEMBERS: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS; SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS
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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Options, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, others within the entity, the Board of Directors, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bernard & Franks

Metairie, Louisiana
November 10, 2010

TARC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDIT RESULTS

YEAR ENDED JUNE 30, 2010

SCHEDULE #1

- An unqualified opinion was issued on the financial statements of TARC, Inc.

- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.

- The audit disclosed no instances of noncompliance that were material to the financial Statements of TARC, Inc.

- No management letter was issued.

- There were no major programs during the year ended June 30, 2010; therefore, TARC, Inc. was not subject to OMB Circular A-133.

- The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

- The qualification of low or high-risk auditee does not pertain to TARC, Inc. because the Organization was not subject to OMB Circular A-133.

TARC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued
REPORTABLE CONDITIONS - FINANCIAL STATEMENTS - CURRENT YEAR

YEAR ENDED JUNE 30, 2010

SCHEDULE #2

There were no findings related to the financial statements for the year ended June 30, 2010.

TARC, INC.
SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS

YEAR ENDED JUNE 30, 2010

SCHEDULE #3

There were no findings related to the financial statements audit for the year ended June 30, 2009.